

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 546 - SB 763

March 23, 2009

SUMMARY OF BILL: Requires the Bureau of TennCare to develop a system to maintain personal health accounts (PHA) for paying a portion of a TennCare enrollee's health care expenses.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$500,000/One-Time
\$56,520,000/Recurring**

Increase Federal Expenditures - \$56,520,000

Assumptions:

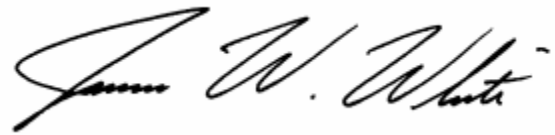
- The Bureau of TennCare will incur an increase in expenditures for the development and implementation of a debit card and accounting system that would be similar to the system currently used by the Department of Human Services. The one-time increase in expenditures of at least \$1,000,000 which will be funded by \$500,000 in state funds and \$500,000 in federal funds at a match rate of 50 percent.
- TennCare estimates that the annual cost for maintaining the system will be approximately \$75 per enrollee. The program has an average of 1,200,000 enrollees per year resulting in an increase in expenditures of \$90,000,000 (1,200,000 x \$75). Of this amount, \$45,000,000 will be state funds and \$45,000,000 will be federal funds at a match rate of 50 percent.
- The Department of Human Services pays \$1.60 per transaction. TennCare estimates that each enrollee will have at least one transaction per month resulting in an increase in expenditures of \$23,040,000 (1,200,000 x \$1.60 x 12 months). Of this amount, \$11,520,000 will be state funds and \$11,520,000 will be federal funds at a match rate of 50 percent.
- Each PHA will be funded on a quarterly basis with an actuarially determined amount that is based on current fee-for-service average expenses. TennCare will incur an increase in expenditures to pay the contracted manage care organizations more in administrative fees to

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operate the program. The net impact will not be a significant decrease in expenditures.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

/kml